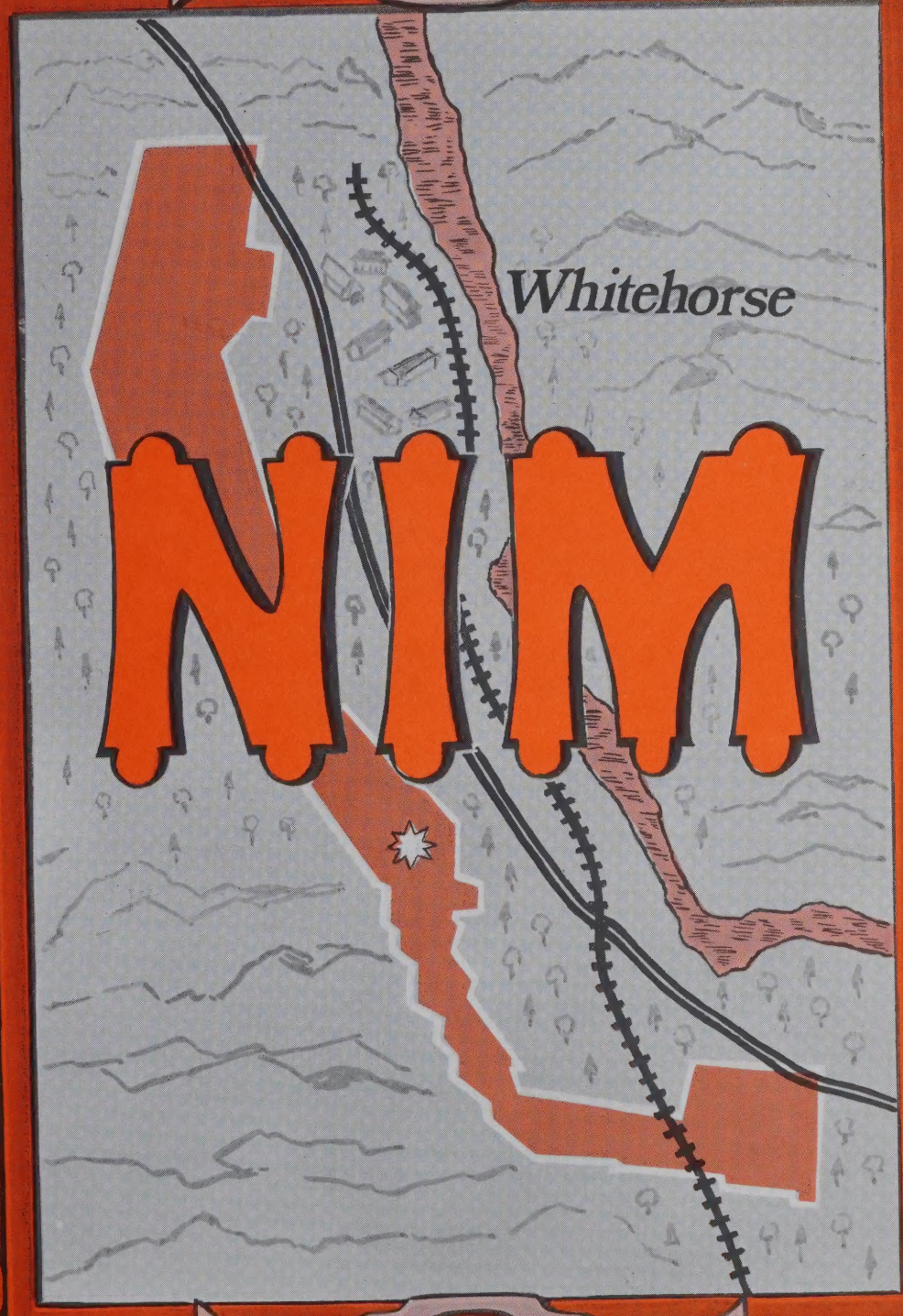
AR12

New Imperial Mines Ltd.



1967 Annual Report

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Officers

ARNOLD PITT, *President*
EARL B. GILLANDERS, *Vice-President*
DAVID B. FINLAY, *Secretary and Acting Managing Director*
RAYMOND O. HAMPTON, *Treasurer and Comptroller*

Directors

DAVID B. FINLAY
EARL B. GILLANDERS
KENJIRO KAWAKAMI
ERIC G. LAMBERT
YOSHIYUKO MARUO
TOSHIO MIZUTA
ARNOLD PITT
PATRICK M. REYNOLDS
G. CLINTON SNELL

Transfer Agent and Registrar

Canada Permanent Trust Company,
Vancouver, B.C.; Toronto, Ont.; Montreal, P.Q.; Calgary, Alta.

Bankers

TORONTO-DOMINION BANK, *Vancouver, B.C.*
TORONTO-DOMINION BANK, *Whitehorse, Y.T.*

Solicitors

LAWRENCE & SHAW, *Vancouver, B.C.*
THOMSON, ROGERS, *Toronto, Ont.*

Auditors

MCDONALD, CURRIE & CO., *Vancouver, B.C.*

Company Offices

Head Office:
Marine Building, 355 Burrard St., Vancouver, B.C.

Toronto Office:
85 Richmond St. West, Toronto, Ont.

Mine Office:
Box 2380, Whitehorse, Y.T.

Shares Listed

Toronto Stock Exchange
Vancouver Stock Exchange

Report of the Directors

One year ago, our mill and mine complex at Whitehorse, Yukon Territory was officially opened and the first copper concentrates were being accumulated for shipment to Japan. From that time your company has moved through successive stages of mill and mine development until, by April 30 of this year, the mine had produced 10,839,000 pounds of metal copper in concentrate form, containing in addition 13,000 ounces of gold and 131,000 ounces of silver.

Mill recovery of copper, which was 72% for the last six months of 1967, has risen to almost 81% for the month of April. This is a most significant gain contributing to the production of approximately 1,350,000 pounds of copper for this month, the highest since start-up of our mill. Further gains in recovery are expected as more refinements are added to mill circuitry.

The most significant feature of the progress of your company from the beginning has been the finding of deep ore below our open pit limit at the Little Chief Mine. Although we were under the stress of preproduction development of mine and mill for open-pit production, nevertheless, with the cooperation of the Sumitomo Metal Mining Co. Ltd., we carried out an intermittent program of deep drilling. At a drilling cost of approximately 20% of that for our open pit reserves, we achieved indicated underground reserves of 5.0 million tons of approximately 2% copper. This ore body, drilled over a strike length of 750 feet and to a maximum vertical depth of 1300 feet on one section, can be further explored by underground drilling when facilities are available.

Although we know nothing as yet of the underground mining potential along our many other copper belt anomalies, we have drilled through a deep ore structure underneath the adjacent Middle Chief anomaly. There is a strong possibility that this ore structure may extend northward under Big Chief as well.

By October 1967, your company had entrusted Canadian Bechtel Limited with preparation of a feasibility report on underground mining. Delivery of this report is expected by mid-May. The report will also recommend adjustments to our present plant, to provide for the concurrent mining and milling of both open pit and underground ore. The location of the shaft will permit underground exploration and mining of all eight known anomalies lying within approximately 2500 feet from the mill. We hope that, at the forthcoming meeting of shareholders, we may be able to report more fully on the feasibility study and on our plan of action.

Now that production and profit are flowing from our developed mine and mill, we turn our main concern to exploration of the very large property we control along the copper belt.

We should inform you that when we began drilling for open pit reserves five years ago, we chose to explore six mineralized anomalies distributed along the known mineralized contact zone of the copper belt. We reasoned that we might thus obtain some knowledge of the relative value and geology of the mineralization. Also, we reasoned that if we achieved ore reserves sufficient to commit for production, we would likely then select a central mill location on the belt nearest to rail, highway and the Yukon River at McRae. This we have carried out.

Subsequent minor exploration, on areas approximately eight miles north and south of the mill, confirm our expectations that a very long and costly program of exploration for open pit reserves must be expended on each area. For example, at War Eagle, far north of the mill, 1,140,000 tons of open pit reserves have been developed by drilling in 1964-65. At Cowley, far south of the mill, 1,265,000 tons were developed in the same period. In neither case were the reserves developed below 200 feet, nor were the immediate anomalous conditions associated with these reserves fully explored.

Our main exploration program for 1968 has been planned for the development of ore reserves on the many anomalous areas lying three to four miles either side of the mill.

Your directors are seriously concerned with the provision of funds for an adequate thrust in exploration and development of our copperbelt property.

The directors are also considering financial arrangements for the mining and milling of the underground ore, as outlined in the current Bechtel feasibility report. While no plans exist at the moment for the issuance of additional treasury shares from the common stock of the company, your directors consider it prudent to anticipate that it may be necessary to issue additional treasury shares. At present, most of our authorized share capital has either been dispensed or is optioned. Therefore, in order that your directors may be enabled to move in your best interest, they are recommending to the shareholders that the authorized capital of the company be increased from 7,500,000 shares to 10,000,000 shares.

We express appreciation to the community of Whitehorse, the Territorial Government and to the Department of Indian Affairs and Northern Development for their continued cooperation. Also, we wish to express our appreciation to the Sumitomo Metal Mining Co. Ltd. for the many assistances they have given us during the past year.

Our sincere appreciation is expressed to the general manager and his staff, for their loyal support and extra effort given during our first year of production.

On behalf of the board,

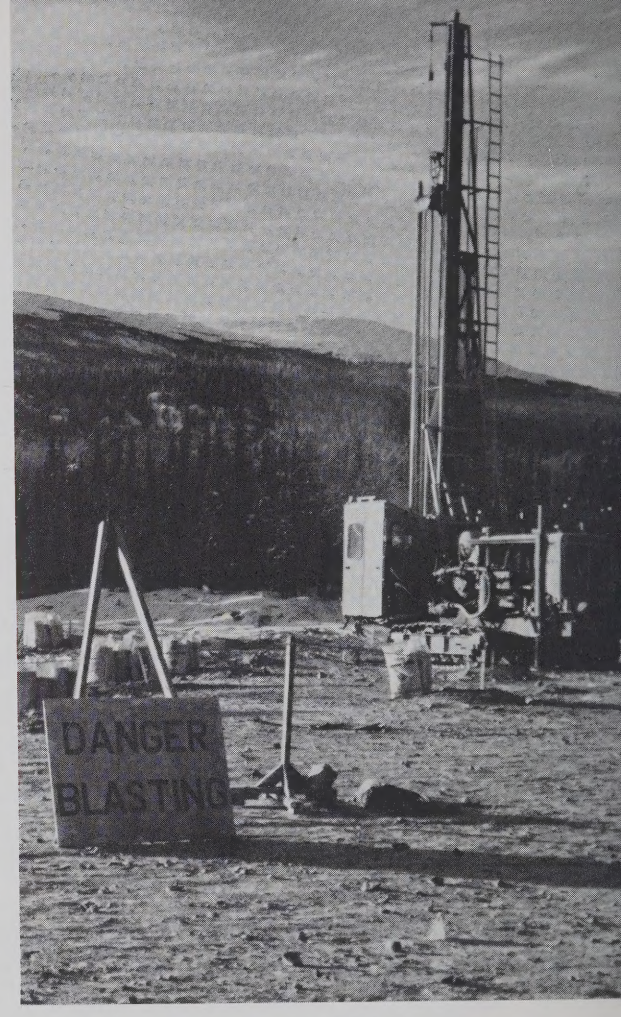
Arnold Pitt

ARNOLD PITT
President

Toronto, Ontario
May 9, 1968

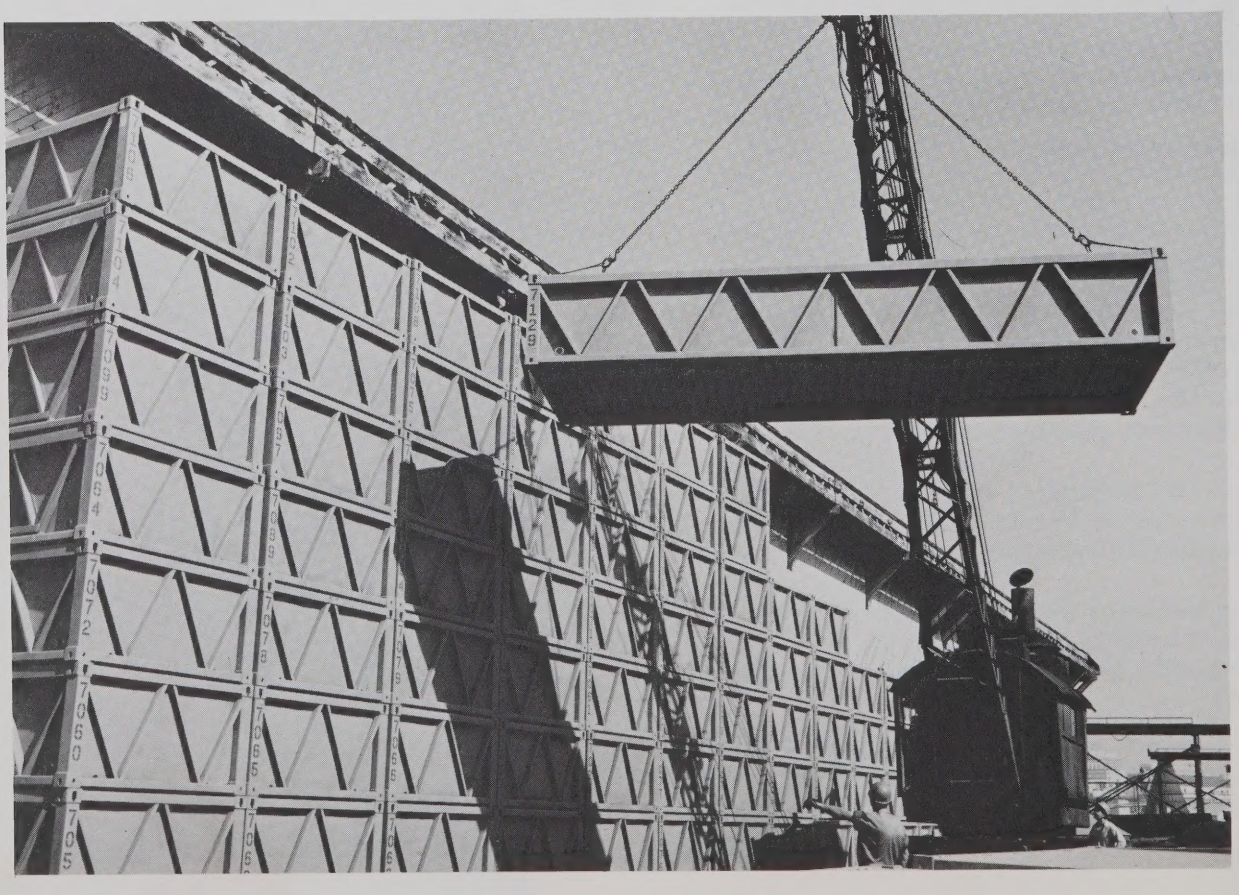
At right, a schematic and simplified rendering of the relationship of underground ore to the Little Chief open pit ore.

Deep Drilling and Concentrates Shipping . . .



Diamond drilling (right) is carried out in the Little Chief open pit, part of the 1967 program to outline the deep ore zone lying below the pit.

Copper concentrates (below) from the Whitehorse mine are at dockside and ready for loading on ship. The containers travel on rail cars from the mine and are lifted directly onto ship for transport to Japan.



Report of the General Manager

This report summarizes operation and exploration activities at the company's Whitehorse property to May 1st, 1968.

We have now completed one full year of operation in this northern climate and have consequently dealt with the various problems arising therefrom.

Exploration work has been very rewarding and points toward a promising future on our present holdings.

Open Pit Mining: During the period, our mining operation has functioned well at the Little Chief pit. A total of 3.7 million tons of ore and waste has been removed to date. Although there are 930,000 tons of ore grading 1.19% copper and 1,330,000 tons of waste remaining in the Little Chief pit, equipment flexibility makes it advisable to operate simultaneously on our Arctic Chief deposit. This deposit has a grade of 1.55% copper. All preparations have been completed for the commencement of mining at the Arctic Chief in mid-summer.

Milling Operation: Various metallurgical and design alterations were necessary during the first year of operation in order to bring the plant to efficiency in dealing with our particular ores and climatic conditions. Due to metallurgical improvements made during the latter part of the period, we are now producing a concentrate averaging 38% copper. Our percentage recovery of copper is also increasing steadily.

Substantial decreases in freight costs will become effective as soon as dock facilities are completed for our use at Skagway, Alaska.

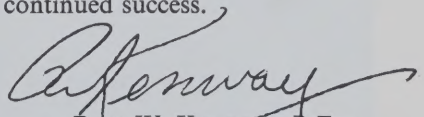
Personnel: Our operation now employs 150 persons, most of whom have been hired locally and have been trained on-the-job. All personnel live in or near the city of Whitehorse, which is seven miles from the mill site. We enjoy excellent relations with our employees and with the citizens of Whitehorse.

Development: Our efforts have been concentrated on defining ore continuation at depth under the Little Chief open pit and on the possibility of extension of these reserves northward into Middle Chief. This investigation has been completed and a full feasibility study leading to underground development is now being completed by an independent consulting company.

Exploration: An extensive mapping and geophysical program was carried out during 1967 on the northern portion of our 524 claims. Eleven separate copper mineralized zones were indicated in this area. These areas are prime targets for more intensive work in the form of induced polarization geophysics and drilling.

A previously known drift-covered anomaly to the south is in the process of being drilled and preliminary results are most encouraging. Our program of exploration for the present calendar year includes extensive induced polarization coverage of the anomalous zones previously outlined by mapping, magnetometer and electromagnetic methods, plus extension of such work to an additional 20% of our holdings. This will be followed by diamond drilling, starting on the anomalies closest to our milling operation.

Due to the fine efforts of my staff, our progress has been rapid and effective during the past year. As we commence our second year of production, I believe that we are on a technically sound footing and that our future progress in mining and exploration holds every indication of continued success.



Ross W. Kenway, *P.Eng.*,
General Manager

Whitehorse, Yukon Territory
May 1, 1968

Ore removal operations are shown in this photo taken on the floor of the Little Chief open pit. Up to 9,000 tons daily, total ore and waste, has been broken out and removed from the pit.

New Imperial Mines' surface plant and the Little Chief open pit are shown in this recent aerial photo, the pit workings at top of the photo.

Statement of Financial Position

AS AT DECEMBER 31, 1967

	1967	1966
	$	$
Current Assets		
Cash	**560,351**	443,204
Concentrate settlements receivable, at estimated realizable value	**472,627**	
Accounts receivable	**19,355**	53,483
Concentrate inventory, at estimated net realizable value	**816,839**	
Mine materials and supplies, at cost	**440,857**	
Prepaid expenses	**18,354**	12,530
	2,328,383	509,217
Deduct:		
Current Liabilities		
Accounts payable and accrued liabilities	**779,059**	531,447
Yukon royalty	**20,000**	
Loan payable		400,000
Holdbacks payable		332,655
Long term debt maturing within one year (note 5)	**1,088,103**	
	1,887,162	1,264,102
Working Capital (Deficiency)	**441,221**	(754,885)
Other Assets		
Loan to director (note 11)	**10,000**	
Mining properties (notes 1 and 2)	**393,490**	306,120
Plant and equipment, less depreciation (note 3)	**6,683,637**	4,533,933
Deferred expenditures (notes 1 and 4)	**2,674,690**	2,097,668
Total Assets Less Current Liabilities	**10,203,038**	6,182,836
Deduct:		
Long Term Debt (note 5)	**6,528,119**	4,030,868
Shareholders' Equity	**3,674,919**	2,151,968
Represented by:		
Capital stock (notes 6 and 7)		
Authorized—7,500,000 shares of no par value		
Issued and fully paid—6,131,233 shares (1966—5,968,899)	**3,108,754**	2,754,185
Retained earnings (deficit) (note 6 (c))	**566,165**	(602,217)
	3,674,919	2,151,968

SIGNED ON BEHALF OF THE BOARD:

ARNOLD PITT, *Director*

DAVID B. FINLAY, *Director*

Auditors' Report to the Shareholders

We have examined the statement of financial position of New Imperial Mines Ltd. as at December 31, 1967 and the statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Generally accepted accounting principles applied to mining require that deferred expenditures be amortized by charges to income in amounts and over periods which can vary according to the rate at which proven and probable ore reserves will be absorbed into production. Although the company's mine came into production during the year no such charge has been made in the accounts. In our opinion the earnings of the period from July 1 to December 31, 1967 would have been reduced by approximately $100,000 if deferred expenditures had been so amortized.

Subject to the qualification set out in the preceding paragraph, in our opinion, these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
March 26, 1968.

McDONALD, CURRIE & CO.
Chartered Accountants

Statement of Earnings

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 1967

		$
Revenue from Concentrates Produced		3,900,335
Less: Treatment and marketing costs		679,874
		3,220,461
Expenditures		
Cost of concentrate production	1,212,588	
Administrative costs (note 9)	228,611	1,441,199
Operating Income		1,779,262
Other Expenses		
Interest on long term debt	269,842	
Depreciation (note 3)	274,915	
Exploration	46,123	
Provision for Yukon royalty	20,000	610,880
Net Earnings for the Period (note 8)		1,168,382

Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
	$	$
Deficit—Beginning of Year	**(602,217)**	(602,217)
Net earnings for the six month period ended December 31, 1967	**1,168,382**	
Retained Earnings (Deficit)—End of Year	**566,165**	(602,217)

Statement of Source and Use of Working Capital

FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
	$	$
Source of Working Capital		
Operations (note 10 (a))	**1,606,259**	
6% Mortgage bonds	**806,599**	3,874,081
7¾% Mortgage bonds	**2,749,603**	
6% Loan	**500,000**	
Mortgages	**96,639**	66,700
Sale of shares	**354,569**	650,000
	6,113,669	4,590,781
Use of Working Capital		
Loan to director	**10,000**	
Deferred expenditures (note 10 (b))	**520,349**	529,847
Plant and equipment	**2,337,839**	4,369,712
Mining properties	**87,370**	185,631
Long term debt repaid and due in current year	**1,962,005**	1,279
	4,917,563	5,086,469
Increase (Decrease) in Working Capital	**1,196,106**	(495,688)
Working Capital (Deficiency)—Beginning of Year	**(754,885)**	(259,197)
Working Capital (Deficiency)—End of Year	**441,221**	(754,885)

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1967

1. Values

The amounts shown for mining properties and deferred expenditures represent costs to date and are not intended to reflect present or future values.

2. Mining Properties

Mining properties as at December 31, 1967 are as follows:

	Number of claims	Amount $
Mineral claims staked—at nominal value	359	4,926
Mineral claims purchased—at cost	55	320,364
Mineral claims under option—at option prices less amounts due under option agreements of $244,500 to be paid in instalments extending to 1972, of which $66,500 is due in 1968	109	68,200
	523	393,490

3. Plant and Equipment

Plant and equipment costs and related accumulated depreciation, calculated on a straight line basis from July 1, 1967, are as follows:

	1967				1966
	Cost	Accumulated depreciation		Net	Cost
	$	Annual rate	$	$	$
Mining equipment	1,375,694	20%	137,570	1,238,124	950,133
Plant and equipment	5,250,015	5%	131,250	5,118,765	35,740
Staff houses and land	332,843	4%	6,095	326,748	275,150
Construction in progress					3,272,910
	6,958,552		274,915	6,683,637	4,533,933

4. Deferred Expenditures

(a) The balance of deferred expenditures at December 31, 1967 is as follows:

		$
Balance—December 31, 1966		2,097,668
Expenditures during the period January 1, 1967 to June 30, 1967	689,677	
Portion of interest on long term debt	27,172	
Loss on disposal of fixed assets	40,880	
	757,729	
Deduct:		
Estimated net recovery from concentrate sales during preliminary period to June 30, 1967	180,707	577,022
Balance—December 31, 1967		2,674,690

(b) No amount has been written off the deferred expenditures which are carried on the balance sheet as a deferred charge. Under the Income Tax Act these expenditures can be deferred until the end of the three year tax exempt period. It is the company's intention to write them off to retained earnings after that period.

5. Long Term Debt

	1967	1966
	$	$
(a) 7¾ % First Mortgage Bonds $1,744,000 U.S. (after 1967 repayment of U.S. $800,000), maturing June 30, 1969	1,884,103	
(b) 6% (or prime bank rate, whichever is higher) Mortgage Bonds ($4,347,500 U.S.) maturing December 31, 1972, repayable in quarterly instalments commencing after repayment of (a) above, with conversion rights as outlined in note 7	4,680,680	3,874,081
(c) 6% (or prime bank rate, whichever is higher) loan, repayable after (a) and (b) above	500,000	
(d) 6¾ % and 7¾ % Mortgage loans due by 1993, repayable at $1,000 per month which includes principal, interest and taxes, secured by charges on land and houses for company employees	172,455	84,217
	7,237,238	3,958,298
Accrued interest	378,984	72,570
	7,616,222	4,030,868
Less: Portion included with current liabilities	1,088,103	
	6,528,119	4,030,868

The 7¾ % First Mortgage Bonds and 6% Mortgage Bonds are secured by Deeds of Trust and Mortgage constituting fixed and floating charges on all properties and assets of the company now or hereafter required.

U.S. funds have been converted at the rate of exchange prevailing at the date of receipt.

6. Capital Stock

(a) Since incorporation, the following shares have been issued for the consideration indicated:

	Shares	Amount
		$
For cash	5,300,838	2,595,491
For services	352,826	34,987
For properties	477,569	478,276
	6,131,233	3,108,754

(b) During the year ended December 31, 1967, the company issued 162,334 shares for $354,569 cash.

(c) No dividends shall be paid so long as the bonds and loan under note 5(a), (b) and (c) are outstanding.

7. Stock Options Outstanding

The company has granted the 6% Mortgage Bond holders the option to convert up to $1,480,000 U.S. of the bonds to 1,230,769 shares of the capital stock of the company (note 5).

The company has granted, as an incentive to senior salaried employees of the company, options to purchase a total of 61,000 shares of the capital stock of the company at a price of $2.60 per share. These options are exercisable in varying amounts to December 31, 1970. To December 31, 1967, 12,334 of these shares had been purchased under the options.

8. Income Taxes

Under the provisions of the Income Tax Act, the company is exempt from income taxes for a three year period from the date the Department of National Revenue deems the company to have commenced production.

9. Remuneration of Directors and Senior Officers

Senior officers, as defined by the Alberta Securities Act, 1967, include the five highest paid employees of a company. The aggregate direct remuneration paid during 1967 to the directors and senior officers (three of which are mine personnel) amounted to $110,216.

10. Working Capital

(a) Working capital provided by operations is as follows:

	$
Net earnings	1,168,382
Add: Charges not depleting working capital—	
Depreciation	274,915
Portion of interest on long-term debt	162,962
Working capital provided	1,606,259

(b) Working capital used for deferred expenditures is as follows:

	1967	1966
	$	$
Total deferred expenditures (note 4 (a))	577,022	553,247
Less: Charges not depleting working capital—		
Loss on disposal of fixed assets	40,880	12,005
Portion of interest on long-term debt	15,793	11,395
	56,673	23,400
Working capital used	520,349	529,847

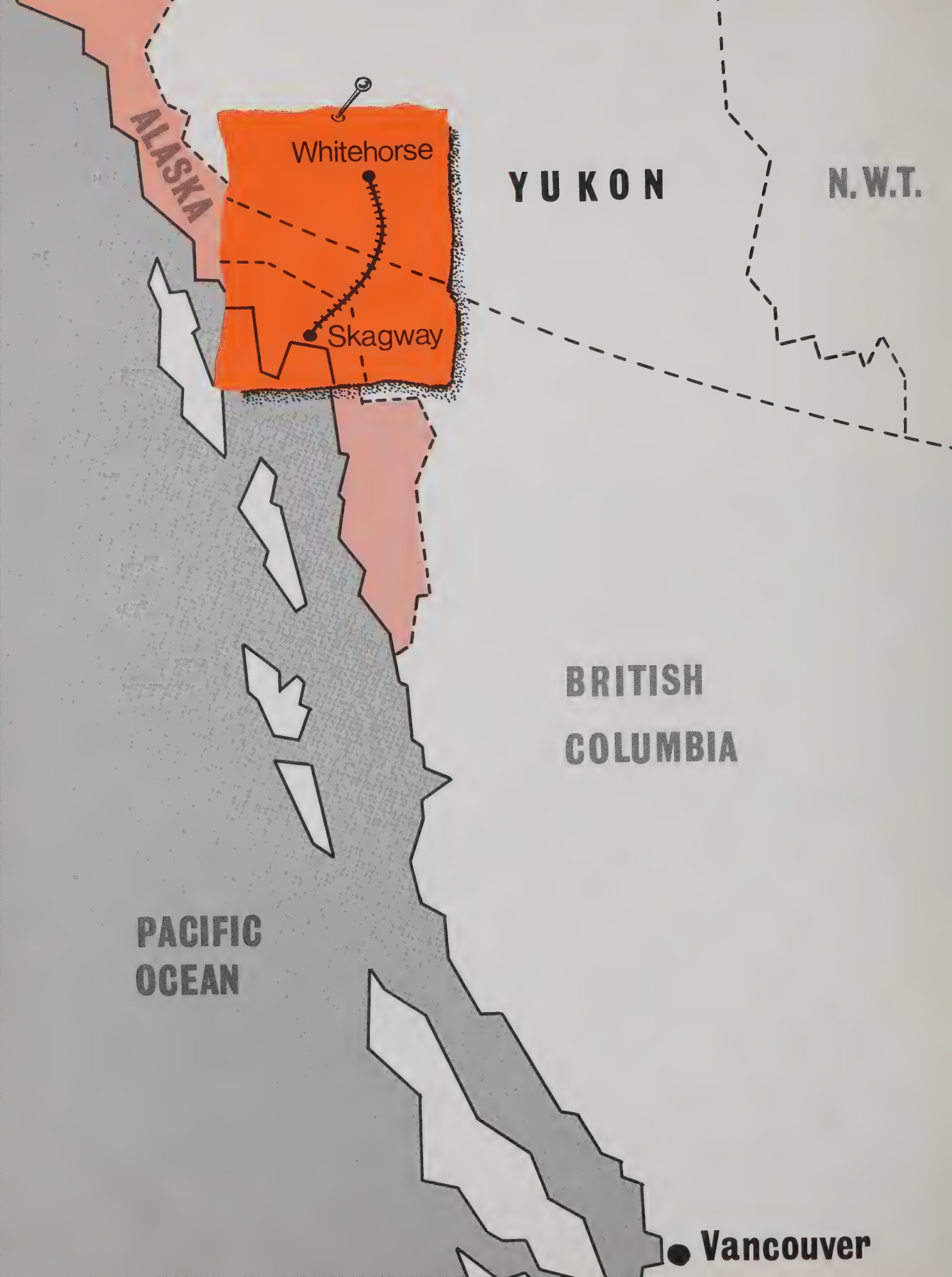
11. Loan to Director

To expedite the relocation of the acting managing director from Toronto to Vancouver, the company granted him a $10,000 interest free loan, for the erection of a dwelling house for his own occupation, repayable at $1,000 per year commencing in 1968.

12. Contingent Liability

The company has received invoices relating to plant and equipment construction which it deems substantially in excess of its contractual obligations. Negotiations are continuing and the company estimates that settlement of these accounts could involve an amount up to $25,000 in addition to the liabilities presently recorded.

The White Pass & Yukon Route's containerized vessel "Frank H. Brown" dockside in Skagway, Alaska. New Imperial Mines Ltd. containers of copper concentrates are seen awaiting loading. Major expansion of wharfage, storage and bulk loading facilities is now under way at this port.


ALASKA
Whitehorse
YUKON
N.W.T.
Skagway
BRITISH
COLUMBIA
PACIFIC
OCEAN
Vancouver

AR12

NEW IMPERIAL MINES LTD.

Corp report

Interim Report

for the period ended Dec. 31st, 1967

NEW IMPERIAL MINES LTD.

TO THE SHAREHOLDERS:–

It is with great pleasure that the company presents its first interim report. Beginning with 1968 we will be forwarding quarterly reports.

You will note in our summary of operations the substantial increase in net income for the second quarter to $921,554, an increase of $631,671 over the first quarter. This enabled the company to make a total bond repayment on debt of $1,041,440 to The Toronto-Dominion Bank, which is $365,673 greater than the minimum principal repayment required of $499,825. From present indications we expect to retire the remaining bank bonds prior to the end of 1968, approximately six months ahead of the maximum repayment schedule.

Operating Results

The content value of our concentrate produced to December 31, 1967, was:

Copper	– $3,454,989
Gold	– $ 293,814
Silver	– $ 145,209

We are paid for our copper on the basis of E. & M. J. Export Refinery price, which has remained higher than expected, chiefly owing to the continued copper producers strike in the U.S.A. Our silver payment is based upon the Handy & Harman price for refined silver, which is presently fluctuating between $2.08 and $2.32 per ounce, Canadian funds.

Our mine and mill operations during 1967 were satisfactory, with an average of 2,006 tons of ore milled per scheduled operating day. Total concentrate produced to December 31, 1967, amounted to 12,617.5 tons averaging 29.42% copper.

We have experienced cold weather problems but our staff are overcoming these difficulties as the season progresses. A reason for our lower than expected recovery, has been the relatively high oxide copper content in the upper levels of the open pit. As the ratio of sulphide to oxide ores increases our recovery will improve. We also have engaged a consulting metallurgist, with wide experience in copper recovery, who is supervising an active test program which will improve our recovery through a better understanding of our metallurgy.

Underground Ore

A feasibility study covering development for mining and milling our underground ore de-

SUMMARY OF OP

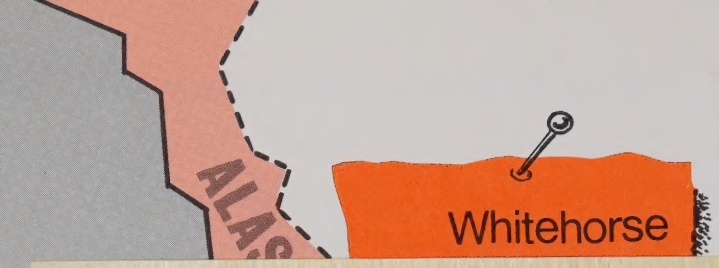
Tons of Ore milled (dry)	
Grade of ore, copper	
Recovery	
Concentrate grade	
Copper produced, lbs.	
Average copper price per pound (cents)	
MARKET VALUE OF PRODUCTION	
Deduct:	
Production costs, administration	
Transportation and marketing	
OPERATING PROFIT	
Depreciation, interest, exploration and royalties	
NET INCOME	
SHARES ISSUED	
Earnings per share	

posit at the Little Chief area, 400 yards from our mill complex, is proceeding well under the direction of Canadian Bechtel Limited. We expect the feasibility report to be issued in March, 1968.

We are now drilling the last two holes of our current four-hole drilling program in the Little Chief deep ore. The first hole did not disclose ore to the depth driven and the second hole had to be abandoned because of the inability to retrieve broken rods. Loss in time and money spent on these long holes will be avoided when underground drilling is possible. We are currently considering a drill program on the Middle Chief and Big Chief anomalies to investigate the extension of the Little Chief underground ore zone.

ING RESULTS

QUARTER ENDED DECEMBER 31/67	QUARTER ENDED SEPTEMBER 30/67
196,191	172,130
1.18%	1.09%
73.0%	72.3%
29.74%	27.57%
3,343,240	2,680,292
55.9	47.9
$2,401,483	$1,492,529
1,180,669	878,275
1,220,814	614,254
299,260	324,371
$ 921,554	$ 289,883
6,131,233	5,981,233
15¢	4.8¢



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Our mine and mill operations during 1967 were satisfactory, with an average of 2,006 tons of ore milled per scheduled operating day. Total concentrate produced to December 31, 1967, amounted to 12,617.5 tons averaging 29.42% copper.

Exploration

Exploration to date on the 524 mineral claims owned or controlled by New Imperial has disclosed 28 locations of extensive mineralization. Our present open pit reserves are confined to six locations which we have drilled to date. Five of these six ore bodies will require further drilling to define their actual extent and none, except Little Chief, has been tested for ore at depth.

Field exploration in 1967 was centred on 110 claims in the north end of the copper belt. Results of this program showed a total of 227 acres of skarn material in eleven copper mineralized zones similar to the rock structure of our War Eagle deposit located in this area. The present War Eagle pit covers approximately eight acres of surface skarn and contains over one million tons of ore to a depth of 200 feet. Geophysical anomalies extend from each of the eleven mineralized zones. These areas are prime targets for more intensive work.

Assessment work in two other major areas was conducted in 1967 on a limited scale with our overburden drill. The westward extension of the Cowley Park skarn zone was confirmed and interesting intersections of copper and molybdenum mineralization were found.

In the Keewenaw area overburden dry hole drilling on one of three undrilled induced polarization anomalies proved a previously unknown mineralized skarn area. The most successful of four holes was XK2 drilled 80 feet and stopped in ore at the water table. The upper 20 feet was overburden and the remaining 60 feet assayed an average of 2.66% Cu and 0.57% MoS_2 throughout its length. These results open up major new open pit possibilities in the area and further extensive exploration drilling will be required.

ARNOLD PITT,
President.

FEBRUARY 7, 1968.